

Update & Analysis:
Incorporation of Click! Policy
Goals into IRU & Click! Business
Transaction Agreement

Presented by Joanne Hovis
to the City of Tacoma City Council
& Utility Board
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Background

Click! History and Analysis

15 year track record of policy success

Led to multi-year investigation of future path

Thorough investigation led to development of 12 Click! policy goals, reflecting the areas of success to-date and the criteria for decision-making for the future

Policy goals adopted by Council and Board in 2018 became framework for evaluating future strategies

3

The 12 Click! Policy Goals

Public ownership of assets

Equitable access

Low-income/affordable access

Net neutrality

Open access by other providers

Preserve competition

Safeguard municipal use of services

Maintain financial stability

Economic development & educational opportunities

Job options for Click! staff

Consumer privacy

Click! goodwill, customer service

4

2017 – Mid-2018: Evaluative Process

Consideration of a range of models for Click!, focused on 2 key requirements

- Best means to achieve policy goals in future
- Best means to cover operating costs

Over course of multiple processes, considered multiple models

- Status quo with additional efficiencies
- Municipal ISP (“All In”)
- Utility model (tax-supported)
- Public-private collaboration

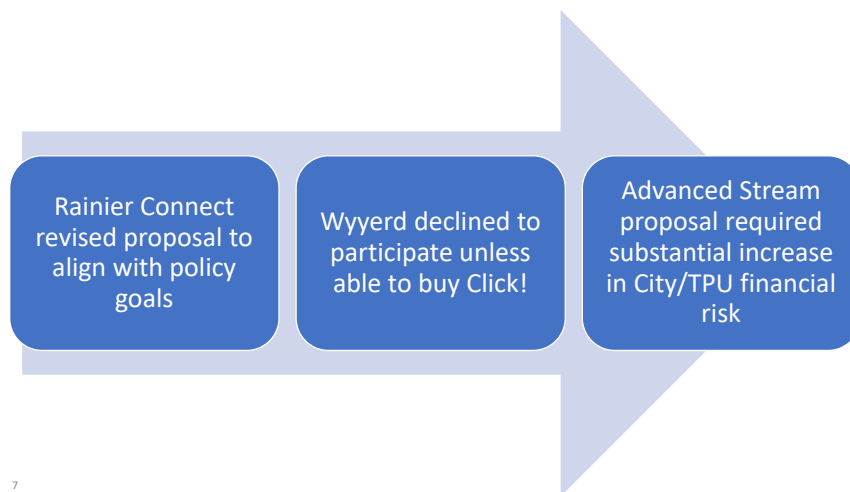
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2018: RFI/Q to Test Collaboration Model



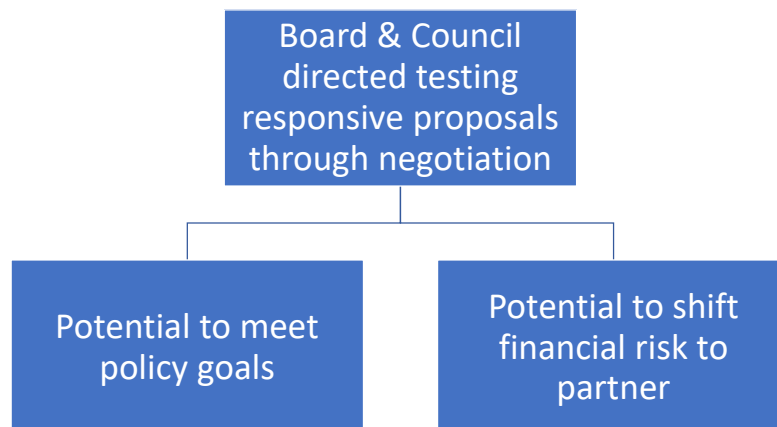
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Non-Responsive Proposals Opportunity to Revise



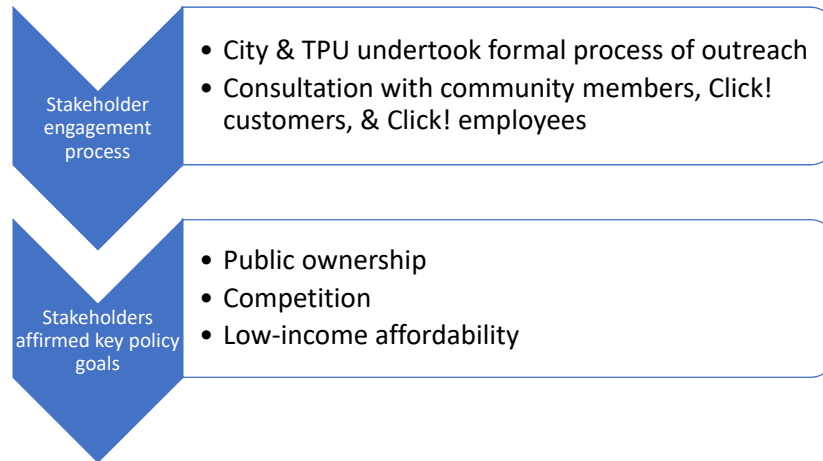
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August 2018



8

Fall 2018



9

Fall 2018 – March 2019

Negotiations with three final respondents

- **Yomura Fiber:** Promising discussions ended due to incompatibility regarding control of fiber to meet power utility security regulations
- **Wave Broadband:** Extensive discussions lead to completed term sheet
- **Rainier Connect:** Extensive discussions lead to completed term sheet

10

March 2019 – Present

Negotiations with Rainier Connect

- Rainier Connect selected to move forward
- Extensive discussions lead to completed draft agreements & exhibits
- Click! Business Transaction Agreement
- Indefeasible Right of Use Agreement

11

POLICY GOALS INCORPORATED
INTO AGREEMENTS & exhibits

1. Public Ownership of Assets

Term: 20-year term with 2 potential 10-year renewals

Network upgrade: Cable broadband state-of-the-art (gigabit) within 3 years

Network upgrades over time: Rainier to keep parity with cable broadband providers in the region

Assets: New assets constructed, replaced, or upgraded by Rainier become TPU property within IRU term

13

2. Equitable Access

Like services at like prices: Rainier will offer the same services -- at the same prices -- to the whole community

Ubiquitous upgrades: Rainier will upgrade the network to all, not just a few

Equitable access to service: Rainier may not decline service to any customer in good standing & will purposefully endeavor to increase access

14

3. Low-Income/Affordable Access

Federal subsidy: Rainier commits to provide the federal Lifeline subsidy to customers that qualify

High quality inclusion product: Rainier will offer reduced-cost broadband to households eligible for TPU's electric service low-income program

Free access to community anchors: Rainier will provide free internet access to 30 locations

15

4. Net Neutrality

Transparency: Rainier will fully & publicly disclose accurate information about its services

No throttling: Rainier will not impair or degrade lawful Internet traffic based on content

No blocking: Rainier will not block lawful content, websites, resources, applications, services, or non-harmful devices

No discrimination: Rainier will treat all lawful traffic similarly

No paid prioritization: Rainier will not treat some Internet traffic better for financial reasons

Verification: TPU can test

16

5. Open Access

Open Access Program: Rainier Connect commits to provide wholesale services to other providers consistent with Rainier's practices & policies in other areas

Verification: Negotiation team verified that the company does provide wholesale services in other markets

17

6. Preserve Competition

No transfer without TPU consent: TPU prior consent required for Rainier to transfer its IRU rights (including changes in control of Rainier)

No transfer that would reduce local competition: Rainier may not transfer its IRU rights to any company that already has 25% residential market share

Transferee must commit to 12 policy goals: TPU can reject a transfer that violates any of the 12 policy goals

18

7. Safeguard Municipal Use of Services

TPU controls fiber: TPU will maintain control of all fiber maintenance on Critical Routes that serve utility and municipal purposes

TPU eliminates cost of maintenance on non-critical routes: Rainier will be responsible for maintenance of coaxial infrastructure

Technical safeguards: The contract includes multiple means by which TPU maintains control and security of assets that serve critical municipal needs

19

8. Maintain Financial Stability

Annual IRU Fee: Rainier will pay TPU for use of the network \$2.5M in year 1, growing to \$3M in year 5 and then growing by rate of inflation

Network investment: Rainier will invest at least \$1.5M in the network per year, growing by rate of inflation

Verification: TPU can audit capital expenditures every 3 years

20

9. Economic Development & Educational Opportunities

Training: Rainier Connect will create an internship program for students & residents

Business attraction: Rainier will work with TPU to support efforts to attract businesses to Tacoma

21

10. Job Options for Click! Staff

Rainier commits to make good faith effort to consider existing Click! employees when filling vacancies

22

11. Consumer Privacy

Compliance with City privacy policy: Rainier commits to comply with City Council Resolution No. 39702 & implement it into its own broadband data service

Ensure ISP compliance: Rainier will require the same policies of any ISPs that buy its wholesale service

Transparent privacy policy: Rainier commits to publish the privacy policy on its website so its practices are open and transparent to the public

23

12. Click! Goodwill & Customer Service

Responsiveness: Rainier will maintain a local or toll-free telephone line for taking customer calls

Speedy response: Customer contacts will be answered within 30 seconds & repairs started within 24 hrs.

Reasonable service timing: Rainier will schedule during four-hour time blocks & begin installations within 7-days

Notice: Rainier will provide 30 days' notice for changes in rates or services

Localism: Rainier will have staff in Tacoma

24